

WS
1-13-01

**CITY COUNCIL WORK SESSION
WITH THE CAPITAL DEVELOPMENT OFFICE TASK FORCE**

**SATURDAY, JANUARY 13, 2001
DURING THE LUNCH BREAK**

COUNCIL WORKROOM

AGENDA

- I. OPENING REMARKS AND INTRODUCTION OF TASK FORCE**
KERRY J. DONLEY, MAYOR
DAVID SPECK, COUNCILMAN AND MEMBER OF TASK FORCE
- II. OVERVIEW OF THE TASK FORCE FINDINGS**
HARRY FLEMMING, CHAIR, CAPITAL DEVELOPMENT OFFICE TASK FORCE
- III. PRESENTATION BY TASK FORCE MEMBERS**
 - A. Summary of Similar Efforts in Other Governments - Phillip Bradbury
 - B. Community Impact - Evelyn Fierro
 - C. Legal Aspects - Mark Williams
 - D. Summary of Task Force Recommendations - Harry Flemming
- IV. CITY COUNCIL DISCUSSION**

Individuals with disabilities who require assistance or special arrangements to participate in the City Council work session may call the City Clerk and Clerk of the Council's office at 838-4500 (TTY/TDD 838-5056). We request that you provide a 48-hour notice so that the proper arrangements may be made.

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**City of Alexandria
Capital Development Office Task Force
Report to City Council**

January 13, 2001

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Introduction

On December 8, 1999 Alexandria City Council adopted Resolution 1971 that authorized the Mayor to appoint a Task Force to develop plans for the operation of a capital development fund office. The Task Force was formed and met between August 29 and December 8, 2000.

The resolution listed a number of specific topics City Council wanted the Task Force to address. It directed the Task Force to recommend policies and procedures that would carry this project forward. It also stated that the Task Force's recommendations need not be limited to these specific topics. In the course of its deliberations regarding the feasibility of success for this program, the Task Force did address a number of other issues.

This report is presented in three parts. **Part One** addresses the specific topics listed in Resolution 1971 and the Task Force's recommendations regarding these topics. **Part Two** discusses other issues relevant to the establishment of this foundation in a question and answer format. **Part Three** is a concluding statement that represents the Task Force's consensus on how City Council should proceed with this project in order to give it the best chance of success. The three Addenda contain additional information referenced in the text.

The pursuit of private contributions to support municipal projects is not a new idea. A survey conducted by the International City/County Management Association (ICMA) thirteen years ago, in 1987, indicated that many local governments at that time were actively seeking private support. An article in ICMA's Municipal Year Book 1997 about fund raising by municipalities and public agencies cited this survey and stated:

Not only was the number of local governments undertaking private fund raising larger than anticipated, but some local governments were extraordinarily good at it. Of the almost 1,000 respondents, nearly half reported receiving contributions from private sources (corporations, foundations, and individuals) for a variety of program areas. . . . Some local governments had received gifts of over \$1 million. A full-scale effort to update the 1987 results has not been undertaken but information

obtained through telephone interviews confirms that, nine years later, local government fund raising is on the rise.¹

The Alexandria Library Foundation already exists for the purpose of attracting community support for the public library system. A number of organizations have been developed to seek contributions for various historic sites owned and operated by the City of Alexandria. In nearby Fairfax County there is a public libraries foundation and there will soon be a foundation to support the park system. In light of these and similar efforts around the nation it is entirely appropriate for City Council to consider the role of private contributions in funding City capital projects and to take the steps necessary to attract such support.

The members of the Task Force wish to express their appreciation to City Council for inviting them to be part of this discussion. This is a project that has the potential to help shape our community in very positive ways for the current generation and for many generations to come.

A list of the members of the Task Force is included in Addendum 1.

Executive Summary

This report represents the collective thinking and unanimous opinion of the Capital Development Office Task Force that City Council should support the development of a charitable foundation to solicit private support for City capital projects.

City Council's support for this project would consist of two actions. The first is Council authorization to incorporate The Alexandria Capital Development Foundation, Inc. The second is the designation of City funds to partially fund the first five years of the Foundation's operations in the total amount of approximately \$542,000. These funds would be matched by community contributions of nearly \$770,000 for Foundation operations.

In return the goal of the Foundation would be to generate at least \$5,000,000 in restricted contributions in direct support of City capital projects over that same period of time. In addition, the Foundation expects to be able to receive commitments through wills and estate gifts of approximately \$10,000,000 which would eventually be paid to the foundation at a future time, generally upon the death of the donor. Receipt of these funds would not be expected for at least ten or fifteen years.

In **Part One: Task Force Recommendations** a series of six recommendations is presented. These statements directly respond to the topics outlined for the Task Force in Resolution 1971. Key among these is the Recommendation 3 that the Foundation's

¹ *Municipal Year Book 1997*, International City/County Management Association (ICMA), "Fundraising from Private Sources: An Option for Local Governments" by Mary Wade.

Board of Directors be responsible for the nomination and election of its own members. Also important is the mission statement in Recommendation 5 which defines the Foundation's mission to solicit "funds that will be deployed on capital development projects that further enhance the ambiance and quality of life in our City." Specific recommendations regarding Foundation policies and practices are outlined in Recommendation 6.

Part two: Discussion of Issues summarizes discussions the Task Force had during the four months it met. These issue discussions cover a range of topics from the need for contributed funds to donor motivation to what should be the short and long-term goals of the Foundation.

In **Part three: Conclusion** the Task Force states its belief that the success of The Alexandria Capital Development Foundation will depend upon real and perceived independence from City government. Thus, if this report, and its recommendation that a foundation be created, is accepted the Task Force strongly recommends that it be accepted with little or no modification. The Task Force believes it has presented a program that will be successful because it is based on sound fund raising principles. Changes that may better suit other considerations may result in creating an organization that donors will find hard to support.

Addenda 1-4 include a listing of the Task Force membership, a job description of an Executive Director of the Foundation, a projected five-year budget for the Foundation, and a list of similar programs from around the nation.

Part one: Task Force Recommendations

Resolution 1971 directed the Task Force to address a number of specific topics. These are:

- A mission statement
- By-laws and incorporation documents
- Composition of a full Board of Directors
- Recommendations regarding desired qualifications and tenures of office for Board members
- Recommendations regarding the origins of Board member nominations
- Guidelines for the solicitation, acceptance and recognition of donations
- A staffing plan and job description for a development director
- Location for the office
- An annual revenue and expense budget

A process for coordinating development office activities with the City government to ensure its activities compliment and support the City's capital improvement program.
Annual goals and objectives
Recommended performance standards

The following set of recommendations addresses these topics.

Recommendation 1: Type of organization and name

A capital development office should be established in the form of a publicly supported, nonprofit, charitable foundation designated by the Internal Revenue Service as a 501 (c) (3) tax exempt organization. The foundation should operate in a way that will fulfill its fiduciary responsibilities including adherence to all IRS regulations, the implementation of annual audits and prudent investment guidelines, and other respected standards of behavior for these types of organizations. The name of this foundation should be "The Alexandria Capital Development Foundation, Inc."

Recommendation 2: Appointment of the initial board

An initial Board of three Directors of the Foundation should be nominated by the Task Force and appointed by City Council if Council approves the establishment of the Foundation.

Note: Resolution 1971 named the Task Force as the initial Board of Directors of the Capital Development Office and directed it to draft Articles of Incorporation, Bylaws and other incorporation documents. However, the Task Force believes it is premature to incorporate or to draft Articles of Incorporation and Bylaws or to take any steps toward the incorporation of a foundation before a decision is made by City Council to proceed with this project. If that decision is made, the Task Force believes it can best serve in the capacity of a nominating committee for the initial three directors.

Recommendation 3: Governing members

Following the appointment of the initial Board of Directors and the incorporation of the Foundation, the Foundation's Board of Directors should be the governing member of the corporation with authority to elect and remove its own Board members and officers, manage its operations, hire staff and, if necessary, dissolve the corporation.

Recommendation 4: Make-up of the full Board

The Board of Directors of the Foundation should ultimately consist of nine voting Directors and two *ex officio*, non-voting Directors. The two *ex officio*, non-voting trustees would be a member of City Council appointed annually by the Mayor and a representative of City management appointed annually by the City Manager. The voting trustees will be volunteers.

Recommendation 5: Mission statement

The following mission statement for the Foundation should be adopted:

The mission of the Foundation is to pursue the vision of a future for Alexandria that is in keeping with its status as a City of beauty, older than America itself, through the solicitation of funds that will be deployed on capital development projects that further enhance the ambiance and quality of life in our City.

The Foundation may elect to support projects identified in the City's Capital Improvements Program, or may identify and support other projects that in its judgment are compatible with the vision. While consultation and cooperation with City Council will be fundamental to the operation of the Foundation, its mission requires that it be a separate body that is neither in fact nor in perception an arm of City Council. At no time will the Foundation raise funds on behalf of programs that in its judgment should be funded solely through tax revenue.

Recommendation 6: Operating plan

The following operating plan should be adopted by the Foundation:

Guidelines for the solicitation of gifts

Prospects should be solicited for projects that will be implemented by the City or for endowment funds that will be held and managed by the foundation.

Donors of significant gifts generally want to influence the future. The successful solicitation of gifts is the result of a process that begins with the articulation of a vision of a better future that can be achieved through financial support. Donors of significant gifts report that being inspired by a vision of a better future and being asked to give are among the two most significant reasons why they give.

In the context of a common vision of a better future the Foundation's Board of Directors and City Council must work in harmony with the community to define fund raising projects that will further that vision.

When such projects have been identified a Case for Support should be developed for each. The Case for Support is an inspirational description of the community benefit of the project in the context of the broad vision of a better future.

This description is bolstered by financial facts and figures to support the importance of private community support for each project. This information will include topics such as the limitations of tax revenues and borrowing, the importance of staying ahead of capital needs to achieve the long-term vision of an enhanced and enriched community and the economic value of contributed support.

In addition to fund raising for specific capital construction projects, the foundation should focus on soliciting funds that can be used to build an endowment fund. Income generated by such endowment funds can, over a long period of time generate substantial income to support future City capital projects.

When fund raising objectives have been identified specific actions need to be taken over time to identify potential prospects for contributions. These actions involve promotional activities undertaken by the Foundation Directors and staff as part of a coordinated marketing plan to make the foundation and its mission well known in the community.

As these activities are pursued prospects will begin to emerge and identify themselves. At that point the Foundation Directors and staff will develop specific strategies for involving and soliciting potential major gift prospects.

Guidelines for the acceptance of gifts

If there is any question about the implementation of projects, recognition donors may expect, or any other issue, the Foundation should serve as a mediator between the donor and City Council or any other agency that may be involved in the process before gifts are accepted. The Foundation should only accept gifts when it is confident the expectations of the donor can be met.

If, despite these efforts, gifts are accepted and later it becomes clear they will not be able to be used as the donor intended, the Foundation must be prepared to return the principal amount donated to the donor unless the donor is willing to change the designation of his or her gift.

The Foundation must take precautions in evaluating and accepting some types of assets as gifts. These would include assets where the immediate value cannot be determined such as privately held stock or assets, such as real estate, that have the potential of putting substantial financial burdens on the Foundation. In addition the Foundation's right to receive some gifts may be deferred while these gifts provide income for donors during their lives.

The formal acceptance of gifts by the Foundation should be accomplished by formal action of the Board of Directors.

Guidelines for the recognition of gifts

Naming facilities in recognition of significant major gifts is a time-honored way non-profit charities have recognized and encouraged donors to make such gifts. However, there are potential difficulties in naming facilities.

For example, donors may bring disrepute upon themselves later in life; embarrassing information about deceased donors may come to light at some future time; facilities named for corporations may be perceived as commercial; there may be the perception

of corruption and influence buying if a donor is perceived as gaining from the donation in some way; or there may be an undesirable image attached to a product or cause associated with the donor.

Therefore it is very important for the Foundation and the City to approach the concept of public recognition thoughtfully. The Task Force recognizes that there is a distinction between the Foundation's responsibility to solicit and receive gifts and its ability to confer names on facilities. Naming facilities constructed by the City is a responsibility of the City Council and the School Board and is not dependent on the source of funds used for construction.

In recognition of certain gifts the foundation may make recommendations to the City Council that facilities or parts of facilities be named in accordance with the wishes of the donor or donors. These recommendations will be put forward under the already existing naming procedures defined by the City and School Board.

Criteria for Foundation Directors

Foundation Board Directors should be recruited based on the following criteria:

Personal and professional integrity

Commitment to the good of the community

The ability and creativity to assist in the development and articulation of the Foundation's vision of an enhanced and enriched Alexandria through contributed support.

The ability and willingness to contribute to the Foundation and to solicit gifts at substantial levels.

Possession of other skills and abilities that may be of particular value to the Foundation.

Nomination and election of Board members

The initial voting members of the foundation board should be nominated by the Task Force and elected by City Council. Their terms in office should be three years.

After the initial three Directors are nominated by City Council the Foundation Board becomes self-perpetuating, responsible for recruiting and electing its own members.

As new members are elected to the Board their terms of office should be set so that each year the terms of approximately one third of the board will end.

The two ex officio, non-voting members of the board should be appointed by the Mayor and City Manager annually.

Selection of Fund Raising projects

Fund raising projects may be developed initially from the list of projects identified in the City's capital improvements program. The Foundation, relying on its contacts with the community and potential donors, and City Council can suggest projects each believes should be on the list. The ultimate decisions must be balanced between the Foundation Directors' belief that a project can attract private contributions and the Council's commitment to proceeding with the project if funding is available.

In addition it may be possible that a potential donor presents himself or herself to the Foundation and expresses a willingness to contribute funds for a project that is not currently in the capital improvements program. In such a situation it is in the City's interest to consider the possibility and desirability of the project.

Specific standards for what constitutes a desirable and possible project should be defined and mutually agreed to by the Foundation and Council in advance of such a possibility presenting itself. These standards would include such considerations as the long-term value of the project and the impact of the project's operating costs on the City's annual operating budget.

It may also be possible that the Foundation's Board of Directors will come to believe that a particular project that is not currently under consideration by the City would gain sufficient support from donors if it were added to the list of approved fund raising projects. In this instance the same procedure described in the previous paragraph for determining the possibility and desirability of a project should be followed.

Finally, donors of long-term bequest gifts will not be in a position to specify which projects their funds should be restricted to and some current donors may not wish to restrict their gifts for specific projects. In those cases it will be in the interest of the City and the Foundation to establish general purpose funds that may specify categories of projects such as parks, schools, libraries, historic sites and open space acquisition.

Foundation Staff

The Task Force envisions a Foundation staff of two individuals: an Executive Director and a staff member to provide support. Foundation staff should be employees of the Foundation, not employees of the City, and will be expected to comply with the code of ethics of the Association of Fundraising Professionals.

A key position will be the Executive Director. This person will be responsible to work closely with the Foundation Directors to provide the guidance, leadership and coordination that will make this project successful. It is very important that this person have substantial experience in the fund raising profession especially in the

areas of major gift fund raising and the development and implementation of bequest solicitation programs.

While not envisioned in the budget prepared for this program, it may be possible that in time a second professional staff member may be hired. This would be a Planned Giving Director. This person would specialize in developing and implementing an estate gift and bequest solicitation program.

A job description for the Executive Director is included in Addendum 2.

Office location

The Task Force recommends that the office of The Alexandria Capital Development Foundation be located in commercial office space near City Hall. This recommendation is based on the importance of the Foundation communicating an image of a close working relationship with the City while maintaining its independence.

Budget and annual financial goals

A projected five-year budget was prepared by the Task Force. The budget assumes the following:

Cumulative operating expenses for the first five years are projected to be \$1,310,007.

City Council will provide operating grants totaling \$541,613 over the first five years.

Community donations to cover the balance of the cost of operating the Foundation during the same period will be raised by the Foundation's Board of Directors. That total is projected at \$768,394.

Contributions restricted to the support of City capital projects are expected to total \$5,000,000 over the first five years of operations.

Annual inflation is estimated at 4%.

The budget and budget notes are included in Addendum 3.

Performance standards

This fund raising program is envisioned as a joint effort of the Foundation staff and the Board of Directors. Therefore performance standards should be applied to the Foundation as a whole and the performance of both the Board and the staff must be taken into account when looking at the results of the total effort.

The performance of the Foundation must be viewed in terms of the considerable amount of time it will take to develop its program and to see financial results.

However, it is possible to judge on an annual basis whether or not progress is being made toward the ultimate goals. For example it is possible to annually measure the actual unrestricted and restricted gifts received against the projections made at the beginning of each year. Other factors such as the number of contacts with prospective donors can be measured. In addition judgments can be made about the direction, strength of leadership, creativity and persistence brought to the fulfillment of the Foundation's mission by the staff and the board.

Over the long term it is possible to use a measure like the cost of dollars raised. By national standards an acceptable ratio is 4 to 1. That is, for every \$1 spent by the Foundation it should be raising \$4 for a cost per dollar raised of \$.25. However, this measure should be based on a rolling five-year average of both expenses and revenue to account for unusual years when expenses are higher than normal and in other years when because of an unusual gift or bequest the receipts are also much higher than would normally be expected.

Part two: Discussion of Issues

In the course of its deliberations the Task Force considered a number of issues that were not specifically mentioned in Resolution 1971. They are presented here to assist City Council in its consideration of this project.

Issue One -- "Does the City of Alexandria need contributed funds?"

The City of Alexandria has a source of revenue (taxes) and the capacity to borrow. However, like most other organizations the City's resources are limited in relation to all the things that can be done for the benefit of the community. Contributed funds would allow the City to do more.

The publication, City of Alexandria, Virginia, Proposed Capital Improvement Program FY 2001-2006, (CIP) shows that a total of \$156 million in local funding has been designated for a variety of capital projects over the next six years. These include:

- Alexandria City Public Schools -- \$57.6 million
- Traffic and transit -- \$32.9 million
- Public buildings -- \$18.2 million
- Recreation and parks -- \$9 million
- Libraries -- \$1.2 million
- Information technology -- \$12.4 million
- Sewers -- \$21.4 million
- Waterfront projects and dredging -- \$1.5 million
- Correctional facilities debt service -- \$1.2 million
- Northern Virginia Community College -- \$453,000

The City Council has also acknowledged the many requests for increased capital funding for projects that would enhance community facilities and improve parks, open space, and recreational and educational facilities. However, due to higher priority infrastructure maintenance needs of the City for major public works projects such as sanitary sewer repairs or traffic management, and the increased capital maintenance requirements of the Alexandria City Public Schools due to growing student enrollments and heavily used school facilities, funding is not available or is very limited for many desirable capital projects that would enhance and expand community facilities.

In the past year alone, funding requests for capital projects that could enhance the ambiance and quality of life in the City have exceeded more than \$40 million – moneys that are simply not available in the City's six year capital program. The types of capital projects suggested generally include the following:

- Acquisition and development of new public parks.
- Enhancements to existing public parks and open space areas.
- Additions and enhancements to public libraries.
- Additions and enhancements to recreational facilities.
- Construction of new community recreational and leisure facilities.
- Additions and enhancements to the City's public schools.
- Enhancements to historic museums and historic sites open to the public.
- Enhancements to public buildings, including fire stations and the public safety center.

The Task Force agrees these are desirable projects that would be compatible with the Foundation's mission statement. As early actions, the Foundation should select specific projects from this list that are compatible with its mission and, with the help of suggestions from the community, determine if there are other projects that should be examined. The initial effort would be to identify two or three projects that capture the vision of a desirable future Alexandria. These projects would form the basis of the foundation's solicitation program.

The consensus of the Task Force is that a source of funding for capital projects in addition to tax revenues and borrowing would enhance and enrich our City and community.

Issue two – "Do other municipalities seek private donations for public projects?"

Addendum 4 of this report is a list of municipalities and agencies that are seeking private donations for public projects. Most of the programs on the list were identified by city staff prior to the formation of the Task Force. Others were added by members of the Task Force. It is not intended to be an exhaustive list.

The forms these efforts take vary widely. However, the underlying theme is the same, namely, providing individuals, organizations and corporations a channel to

support public projects. It does not appear that any of these are taking an approach closely analogous to that proposed for Alexandria. However, the Astabula County, Ohio, Foundation seems to be the closest.

The solicitation of private funds for public purposes seems to be widely accepted. The number of examples reflects an awareness that tax revenues are limited and that municipalities can reach out to invite the free will contributions of citizens if they want to create communities that provide more than basic infrastructure requirements.

Examples of organizations seeking private support for public projects already exist in Alexandria itself. Each of the seven city-owned and operated historic sites has a nonprofit friends group that is raising money to support these facilities. The sites are the Alexandria Black History Resource Center and Watson Reading Room; Friendship Firehouse Museum; Fort Ward Museum and Historic Site; Gadsby's Tavern Museum; the Lyceum; the Torpedo Factory Art Center; and the Alexandria Archaeology Museum. The friends groups, which are entirely volunteer organizations, typically raise from less than \$1,000 to \$15,000 per year for special acquisitions or conservation efforts. In addition, the Alexandria Public Library Foundation exists and is actively seeking support for the library system.

The Task Force sees the Alexandria Capital Development Foundation interacting with these organizations in very positive ways. The purpose of the proposed new foundation is to seek funding for capital projects. To the extent the existing organizations are also interested in seeking funding for capital projects the purposes of the new foundation and existing groups would merge to the benefit of the entire community.

Issue Three – "Is it possible to motivate donors to support this cause?"

In seeking an answer to this question the Task Force invited John W. Thomas, Vice President for Development at Children's Hospital National Medical Center to discuss the topic of fund raising and what motivates donors to give. Children's Hospital is recognized as one of the most effective fund raising organizations in the nation and Mr. Thomas, as the chief fund raising officer, is responsible for much of that success in the past five years.

What the Task Force learned from Mr. Thomas is that donors are motivated to give large gifts by a vision of a better future and the belief that their donations to a particular institution will help make that vision a reality.

The question then became "Is there a vision for Alexandria and the community it serves that can be advanced through donated funds?" The Task Force believes that the potential for success for the Foundation lies in the answer to this question.

The Task Force's vision for Alexandria is that the inherent characteristics of this City will be recognized and continuously enhanced through the generosity of donors who

love our City, in ways that could not otherwise be envisioned. The inherent characteristics as perceived by the Task Force are:

- A City that houses substantial portions of the national heritage, dating back to Colonial times.
- A riverside location of outstanding beauty.
- Proximity to our nation's capital and all its features and amenities.
- Well-served by road, rail, air and water transport.
- A population that includes a significant percentage of potential large donors.

The vision includes the further beautification of our City, and the development of projects that will enhance the recognition of its heritage. It also encompasses the development of new programs that will retain and enhance Alexandria as a City of the 21st century, while preserving its heritage.

The Task Force believes that individuals, corporations, foundations, service organizations and other gift and grant-making entities will support The Alexandria Capital Development Foundation if the Foundation effectively presents potential donors opportunities to help fulfill this vision through their donations.

Issue Four – "Should the Foundation focus on projects other than capital improvements?"

The Foundation should restrict its fund raising activities to raising money for capital projects. There are many other organizations that are raising funds for programs that benefit our community. There is no other organization whose mission is to raise funds for City capital projects.

Capital projects are more easily defined for donors. There is a visible end product that benefits all the citizens in the community and that donors can take pride in.

Issue Five – "What level of commitment will be required of Directors of the Foundation?"

Members of the board should be volunteers who are passionate about a vision of the future for the City of Alexandria and they should be committed to the mission of the Foundation in service of that vision.

Such passion and commitment are required because the primary role of Directors of this Foundation will be to raise money to sustain the Foundation's operations and to fulfill its mission to raise restricted funds for City capital projects. They need to be people who are willing to use their personal influence to tell the Foundation's story to prospective donors and to be persuasive in the pursuit of contributions.

Serving as a member of the board of this Foundation is a significant opportunity for community service with little direct reward except the personal satisfaction of advancing a vision of a more desirable future.

Issue Six – "What is the potential for significant donations to this Foundation?"

This question goes beyond the question of donor motivation to the issue of how capable members of this community are to make substantial donations.

A review of estimates for the year 2000 and projections for 2005 by Claritas, Inc., a statistical analysis service used by the City, indicates that 9.6% of the current population of the City has household income of \$150,000 or more and that number is expected to rise to 11.6% of the population in five years. In addition, year 2000 assessments for single family homes and residential condominiums in the City indicate that units assessed over \$350,000 make up 10.5% of the total. These figures are substantially above national statistics for household income and real estate values. Based on these figures the Task Force believes that many people in the City of Alexandria are capable of making current charitable donations.

In addition to current donations, however, the Task Force believes that gifts through bequests and deferred investment instruments are the largest long-term potential source of support for this Foundation.

Donors of bequest gifts are often motivated by the desire to leave a legacy and to be remembered by generations to come. The City of Alexandria, which was founded before the United States of America and which will continue to exist for many generations, is an ideal recipient of such gifts.

Various forms of charitable bequests are encouraged by the IRS in the form of tax benefits given for such gift arrangements. Projections over the next twenty years are that the most significant transfer of wealth from one generation to another in history will occur through bequests.

The Task Force believes the establishment of a Foundation committed to educating the public about bequest gifts to charity will result in the development of very substantial donations to the Foundation over time. However, it should be noted that the development of such gifts takes a considerable amount of time since they are gifts that donors can commit to now but which will not be received by the Foundation until some undetermined time in the future, usually when the donors die. It is not an exaggeration to say that significant results of such a program will not be seen for as long as ten or fifteen years.

The Task Force believes that The Alexandria Capital Development Foundation, Inc. is the vehicle that can bring these long-term benefits to this community.

Issue Seven – "What should the Foundation's fund raising goals be?"

The purpose of the Foundation will be to raise substantial money for City projects. In the short term the Task Force believes that this effort is capable of raising at least \$5,000,000 restricted for City capital projects in the first five years.

The Task Force believes it will take time for the Foundation to build its program and credibility before donors will be willing to trust their contributions to this entity. The budget presented in Addendum 3 projects a gradual growth of annual donations over the first five years.

As the Foundation develops relationships with potential donors whose interests are focused in one direction or another it will be possible for the Foundation to set specific goals for individual projects.

Based on the experience of community foundations and other institutions that have committed to developing bequest gifts it is reasonable for this Foundation to expect to receive \$10,000,000 in such gifts in addition to current gifts over the first ten to fifteen years. Again it should be noted that the receipt of such gifts lags substantially behind the effort to develop them. It would not be unusual for no funds from such gifts to be received for the first four or five years of the program. After that period of time gifts will start to be received in increasing amounts if the effort to develop them has been thorough and consistent over a long period of time.

Issue Eight – "How will the Foundation pay for its operations over the long term?"

The Task Force sees four possible sources of unrestricted funds to support its operations. 1) The budget projection in Addendum 2 assumes initial annual grants for operating funds from the City; 2) Directors of the Foundation will be expected to raise unrestricted funds to support the Foundation's operations; 3) Over time as restricted gift funds are received and held by the Foundation prior to transferring them to the City, income generated while they are being held in the Foundation could be used to support Foundation operations; and 4) Over the long run as unrestricted endowment funds are developed, income from these funds would be used to support the Foundation's operations.

Issue Nine – "What should the relationship be between the City and the Foundation?"

The Task Force sees the relationship between the Foundation and the City as a private-public partnership to serve the common good. The purpose of the Foundation is to serve the community by seeking private donations for public projects.

The Foundation must be, and must be viewed as, an independent entity working on behalf of the community. The Foundation Board of Directors cannot speak on behalf of City Council with regard to capital projects and by the same token, City Council

cannot speak on behalf of the Foundation. It is critical to the Foundation's long-term success that gifts to the Foundation not be perceived as payments to the City. The Foundation's independence from City Council is necessary if it is to be a reliable intermediary between the City and donors.

Giving is a financial transaction and as with many financial transactions there is an element of negotiation that is integral to the process. Issues such as how and when funds will be used for a particular project and what recognition donors can expect for donations are matters that can have substantial effect on whether and how much donors will give. The Foundation must be viewed as representing the interests of the donors on behalf of these public projects. In this regard it can be said, "The Foundation proposes and City Council disposes."

The Foundation must also be viewed as an organization that is open and responsive to the community it serves. Its Directors must be viewed as performing a public service. Any suspicion that personal or professional benefit is involved in the solicitation and use of gifts will be extremely detrimental to the Foundation's ability to pursue its mission.

The Foundation's operations should be marked by reports to the public on its activities and progress. These reports should take the form of written and oral presentations, annual financial reports, brochures and other methods of informing the public.

Issue Ten – "What should the relationship be between the Foundation and other nonprofit agencies?"

As envisioned by the Task Force the Foundation will have a unique mission that serves the common good just as other non-profit agencies do.

It is possible that other non-profit agencies may view the establishment of this Foundation as competitive in the search for funds and volunteers. However, the Task Force believes that each charitable cause has its own constituency. Donors are free to contribute to any organization they believe will best fulfill their vision of a more desirable future. Donations that go to one organization would not necessarily have gone to another if the first did not exist. It is important for each agency to seek and to find those donors who share its vision of the future.

At the same time it should not be the intention of the Foundation to take potential donors from any already existing agency. It should be the practice of the Foundation to make prospective donors aware of other charities if their interests would be better served by donating to something other than the Capital Development Foundation.

Part three: Conclusion

The Task Force believes there are certain keys to the success of this project that have been addressed in this report. They are:

The Foundation must be driven by a clear and inspiring vision of a desirable future for our City.

The Foundation must not be, and must not be perceived to be, an arm of City government. It must be viewed by the community as an independent entity working in partnership with the City for the common good of all the citizens of the community.

The Directors of the Foundation must be passionate about the cause and capable of raising substantial amounts of money. Therefore it is essential that the nomination and election of Directors be the responsibility of the Board of Directors of the Foundation alone after City Council appoints the initial three Directors.

The Foundation must be free to recommend projects that are not being considered through the City's normal capital funding process.

We live at a time when it is recognized that there are significant limitations on the amount of revenue municipalities are able to generate through tax revenue. This is particularly true of Alexandria which has within its borders very little space that can or should be developed and that could provide additional sources of tax revenue for the City in the future. At the same time the desires and expectations of the citizens for facilities and services they believe are necessary to maintain and enhance Alexandria as a desirable place to live and work continue to grow.

In this atmosphere the Alexandria City Council has the opportunity to display its own visionary and farsighted leadership by encouraging and supporting the genesis of a Capital Development Foundation that will make a significant contribution to the future of our City.

The Task Force has provided a formula for such a foundation. Like carefully developed formula it is based on fundamental principles confirmed by experience. In this case the principles and experience referred to are in the field of voluntary fund raising. The recommendations in this report are based on fund raising principles and practices that guide the most successful fund raising programs. They have been confirmed to be effective through many years of implementation.

Therefore it is the unanimous recommendation of the Task Force that if City Council wishes to see the objectives outlined in this report achieved, this report should be accepted and acted on in its entirety with only minor changes and adjustments.

The Task Force believes that the Foundation as it envisions it has significant potential to raise funds in support of City capital projects. It has the potential to make a real impact not only on the current generation but on the lives of many generations of Alexandrians to come. It must be viewed in the broad context of the future.

The vision of the future described on pages 14-15 of this report refers to the fact that Alexandria is older than the country itself. It is not an exaggeration to say that if there should ever come a time when the United States of America no longer exists it is very likely that Alexandria will continue to be a place where a community will be formed and where people will live and work and flourish. It is in that broad sweep of an unknown and unknowable future that the Task Force sees a continuing role for The Alexandria Capital Development Foundation, Inc.

Accepting these recommendations and implementing this plan for the operation of the Foundation will be an act of confidence in our citizens and an expression of hope that a vision of an ever more desirable future for our City can be achieved.

Addendum 1
City of Alexandria
Capital Development Task Force
Membership Roster

Harry S. Flemming, Task Force Chair

Mr. Flemming is the founder of Sonitrol Corporation and is Chairman of Advantor Holding Company. He is a former member of the Alexandria City Council.

Nonyerem Anyanwu

Ms. Anyanwu recently completed her MBA at the Wharton School of Business at the University of Pennsylvania. She is currently a STEP Associate with Columbia Transmission Communications, Inc.

Phillip Bradbury

Mr. Bradbury was a Vice President of Bechtel, then became Senior Vice President for BNFL, and played a significant role in the acquisition of Westinghouse by BNFL. Under his leadership, two affiliated companies were formed whose combined annual revenue grew to over \$300 million. He served on the boards of both companies until his recent retirement.

Sean Clancy

Mr. Clancy is Director of A&D with Avalon Bay, which has its headquarters in Alexandria.

Evelyn Fierro

Ms. Fierro is currently Director of Intergovernmental Affairs at the U.S. Department of Transportation. Before moving to Alexandria she served as Mayor of South Pasadena, California.

David Speck

Mr. Speck is a member of the Alexandria City Council. He is the Managing Director of First Union Securities in Northern Virginia.

Mark Williams

Mr. Williams is counsel for corporate regulation and holding company matters at the Federal Energy Regulatory Commission, and is Assistant Chief of Alexandria's volunteer fire department.

City Liaison

Ms. Lori Godwin, Assistant City Manager, City of Alexandria

Mr. Paul Doku, Office of Management and Budget, City of Alexandria

Task Force Staff

Mr. Victor G. Dymowski, Principal of St. Clair Partners, LLC, a fund raising consulting firm.

Addendum 2
Job Description

Executive Director

Position description

The Executive Director of The Alexandria Capital Development Foundation, Inc., is the chief executive officer of a not-for-profit, tax-exempt, charitable corporation established to solicit funds to support capital projects of the City of Alexandria. The Executive Director reports to the Foundation's Board of Directors.

Responsibilities

1. Guiding the Board of Directors in developing a compelling vision and case for support for the Foundation, developing appropriate policies, and defining measurable short and long-term goals.
2. Developing a plan of action to achieve the immediate and long-term fund raising goals of the Foundation.
3. Coordinating the efforts of the Board of Directors in the process of identifying, cultivating, soliciting and recognizing donors.
4. Managing day-to-day relations on behalf of the Foundation Board with City Council and key organizations in the City of Alexandria that may effect the Foundation's program.
5. Representing the Foundation in the community.
6. Hiring and supervising staff.
7. Overseeing the operations of the office.
8. Developing and overseeing the annual operating budget.

Qualifications

1. Sufficient experience to serve as the chief fund raising officer of a fund raising foundation.
2. Experience in assisting board members enhance their effectiveness in fund raising for major gifts.
3. Experience in developing and managing planned giving programs.
4. Acceptance of the code of ethics of the Association of Fundraising Professionals.
5. Strong writing and speaking skills.
6. Ability to be committed to the Foundation's mission
7. Effective personal presence that communicates seriousness of purpose and focus on goals.

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue					
City of Alexandria Grants	\$100,000	\$104,000	\$108,160	\$112,486	\$116,985
Contributions for operations	\$148,900	\$146,628	\$152,183	\$157,564	\$163,101
Contributions restricted for capital projects	\$250,000	\$500,000	\$1,000,000	\$1,500,000	\$1,750,000
Total	\$498,900	\$750,628	\$1,260,343	\$1,770,050	\$2,030,086
Expenses					
Salaries and benefits					
Executive Director	\$95,000	\$98,800	\$102,752	\$106,862	\$111,136
Support staff	\$30,000	\$31,200	\$32,448	\$33,745	\$35,095
Benefits	\$25,000	\$26,000	\$27,040	\$28,121	\$29,246
Operating expenses					
Legal	\$5,000	\$2,500	\$2,600	\$2,704	\$2,812
Accounting	\$2,500	\$2,600	\$2,704	\$2,812	\$2,924
Cultivation and entertainment	\$2,400	\$2,496	\$2,595	\$2,698	\$2,805
Rent	\$25,000	\$26,000	\$27,040	\$28,121	\$29,246
Graphic design	\$3,000	\$3,120	\$3,224	\$3,374	\$3,509
Printing	\$15,000	\$15,600	\$16,224	\$16,872	\$17,547
Postage	\$5,000	\$5,200	\$5,408	\$5,624	\$5,849
Telephone	\$3,000	\$3,120	\$3,224	\$3,374	\$3,509
Utilities	\$3,000	\$3,120	\$3,224	\$3,374	\$3,509
Maintenance	\$2,400	\$2,496	\$2,595	\$2,698	\$2,805
Supplies	\$1,200	\$1,248	\$1,297	\$1,349	\$1,403
Furniture	\$10,000	\$1,000	\$1,000	\$1,000	\$1,000
Computers	\$6,000	\$1,000	\$1,000	\$1,000	\$1,000
Software	\$6,000	\$1,500	\$2,000	\$2,000	\$2,000
Printers, copier, fax	\$1,200	\$100	\$100	\$100	\$100
Equipment maintenance	\$1,200	\$1,248	\$1,297	\$1,349	\$1,403
Travel and conference	\$5,000	\$5,200	\$5,408	\$5,624	\$5,849
Dues and subscriptions	\$2,000	\$2,080	\$2,163	\$2,249	\$2,339
Consulting	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Total	\$248,900	\$250,628	\$260,343	\$270,050	\$280,086
Operating revenue over operating expenses	\$0	\$0	\$0	\$0	\$0
Revenue restricted for capital projects	\$250,000	\$500,000	\$1,000,000	\$1,500,000	\$1,750,000
Cumulative revenue restricted for capital projects	\$250,000	\$750,000	\$1,750,000	\$3,250,000	\$5,000,000

Budget notes

Inflation is estimated at 4% per year.

Executive Director

Competitive salary combined with a performance incentive plan to attract a fully experienced professional capable of assisting a strong Board of Directors in the articulation of a driving vision and the identification and solicitation of major gift prospects.

Support staff

An experienced administrative assistant.

Benefits

Estimated at 20% of salaries.

Legal

First year setup of Articles of Incorporation, Bylaws, establishment as a 501(c)(3) tax exempt entity. Maintenance in following years.

Accounting

Day to day accounting and annual audited report.

Cultivation

Meetings, entertainment for prospective board members and potential donors.

Rent

Estimated at \$25 per sq. ft. for 1000 sq. feet

Graphics

Design of letterhead, brochures, newsletters, annual reports, web site.

Printing

Letterhead, brochures, newsletters, annual reports

Postage

General distribution of promotional materials to an audience of 5,000

Telephone

Sufficient lines for staff, computers, fax.

Utilities

Provision if not included in rent.

Maintenance

Environmental services if not included in rent

Supplies

Paper, pens, normal office supplies

Furniture

Outfitting of office space for three staff members with desks, chairs, meeting room furnishings, filing space, bookshelves, office decoration. Minimal needs in following years.

Computers

Assumes purchase of three computers and networking.

Software

Donor record keeping system, Microsoft Office, planned giving software.

Printers, fax, copier

Two printers, one copier, and one fax machine.

Equipment maintenance

Warranties and repair.

Travel and conference

Participation in professional associations.

Dues and subscriptions

Professional association memberships and publications.

Consulting

Prospect identification, financial management, communications, fund raising counsel, strategic planning, legal issues related to gift arrangements.

Addendum 4
Examples of Similar Programs

1. The Louisville (KY) Public Trust Fund supports city government-funded projects and programs which promote the growth and enhancement of the community. Launched by the City and the Community Foundation of Louisville, the Fund's Board of Governors encourages donations from individuals, businesses and organizations.
2. The City of Sarasota (FL) Department of Marketing and Development solicits grants and gifts from private foundations, individuals, service clubs and corporations to subsidize ticket prices of the Van Wezel Performing Arts Hall.
3. As part of a fund raising thrust for the 1990s, the City of Ventura (CA) formed a partnership with the Ventura County Community Foundation to establish three endowment funds to benefit city programs. The partnership provides local governments funds from private donors through endowment funds for Senior Citizen programs, Special Olympics, and Youth Scholarships.
4. The nonprofit Downtown Walla Walla (WA) Foundation's purpose is to develop the vitality, pride, beauty, spirit, service and value of downtown Walla Walla.
5. The Centurion Foundation in New York City is a nonprofit organization established in 1986 to support New York City's Police officers.
6. The City (NYC) Parks Foundation
7. The Dallas (TX) Trees and Parks Foundation
8. The Denton (TX) Park Foundation
9. The Monmouth (NJ) County Park System Foundation
10. The Montgomery County (MD) Park Foundation
11. The Park System Trust Fund of Wheeling (WV) and Oglebay Foundation
12. The Pennsylvania Recreation and Park Society Foundation
13. The San Antonio (TX) Parks Foundation
14. The Gettysburg National Battlefield Museum Foundation working on behalf of this National Park Service Facility
15. The Statue of Liberty-Ellis Island Foundation

16. The Fairfax County Library Foundation
17. The Fairfax Public Schools Foundation
18. The Fairfax County Partnership Office
19. The Fairfax County Park Foundation
20. The San Antonio Public Library Foundation
21. The DC Public Library Foundation
22. New York City actively seeks corporate sponsorship for playgrounds, snack bars, litter baskets and even police patrol cars.
23. Albamarle County (VA) has a Police Foundation that is made up of corporate neighbors who provide funds for capital equipment and an annual awards banquet
24. James City County (VA) established a Resource Development Administrator for its Division of Parks and Recreation to acquire grants, private and corporate donations and to develop partnerships to expedite completion of a long list of capital projects
25. Municipalities interested in establishing Park Foundations include:
 - Bellaire (TX) Parks and Recreation
 - Glouster (VA) Parks and Recreation
 - Hartford (VT)
 - Lakeville (MN)
 - Johnson City (TN)
 - Maryland Heights (MO) Parks and recreation
 - Muhlenberg (PA) Township Park and Recreation Department
 - Northern Suburban (IL) Special Recreation Association
 - Oro Valley (AZ) Park and Recreation
 - Portland (OR) Parks and Recreation
 - Siloam Springs (AR)
 - Sonoma County (CA) Regional Parks
 - St Louis (MO) County Parks
 - Suffolk County (NY) Parks
 - Tracy (CA) Parks and Community Services Department
 - Winding Trails Recreation Association (CT)
26. The Ashtabula County Foundation (OH) raises money for capital projects for various charitable organizations and for a variety of civic programs. For example, a recent program has been devoted to converting disused rail tracks to hiking trails.